

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Crooked Tree District Library	County Charlevoix
Fiscal Year End June 30, 2007	Opinion Date September 18, 2007	Date Audit Report Submitted to State October 5, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

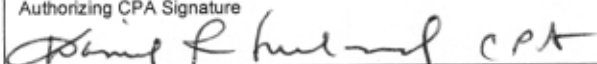
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Nieland & Kosanke, P. C.		Telephone Number 231-627-4396	
Street Address 201 South Main Street		City Cheboygan	State MI
		Zip 49721	
Authorizing CPA Signature 		Printed Name Daniel R. Nieland	License Number 12250

CROOKED TREE DISTRICT LIBRARY
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007

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INDEPENDENT AUDITOR'S REPORT

September 18, 2007

Board of Directors
Crooked Tree District Library
P. O. Box 518
Walloon Lake, Michigan 49796

We have audited the accompanying financial statements of the governmental activities and the General Fund of Crooked Tree District Library as of and for the year ended June 30, 2007, which collectively comprise of the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Crooked Tree District Library as of June 30, 2007, and the respective changes in financial position, and respective budgetary comparison for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Crooked Tree District Library
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September 18, 2007

In accordance with Government Auditing Standards, we have also issued a report dated September 18, 2007, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information (identified in the table of contents) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Nieland & Kosanke, P.C.
Certified Public Accountants

Cheboygan, Michigan 49721

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

September 18, 2007

Board of Directors
Crooked Tree District Library
P. O. Box 518
Walloon Lake, Michigan 49796

We have audited the financial statements of Crooked Tree District Library as of and for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Crooked Tree District Library's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instance of noncompliance that is required to be reported under Government Auditing Standards.

The Library was in noncompliance with its operating budget for the general fund.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Crooked Tree District Library's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the

Crooked Tree District Library
Page 2
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internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Directors and management of the Library and is not intended to be and should not be used by anyone other than these specified parties.

Nieland & Kosanke, P.C.
Certified Public Accountants

Cheboygan, Michigan 49721

CROOKED TREE DISTRICT LIBRARY
LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

FISCAL YEAR JULY 2006 – JUNE 2007

**The MD&A is intended to serve as an overview analysis of the
financial condition and operating results of the Library.**

Please direct your questions regarding this report to:

**Susan Conklin, Library Director
Crooked Tree District Library
2203 Walloon Street
P. O. Box 518
Walloon Lake, Michigan 49796
Phone: 231-549-2277**

CROOKED TREE DISTRICT LIBRARY

MANAGEMENT DISCUSSION AND ANALYSIS FY 2006 – 2007

Relationship of Financial Statements

The basic financial statements contained herein include information that presents two different views of the Library using the modified-accrual and full accrual methods.

The Individual Fund Balance Sheet, Statement of Net Assets and Liabilities and the Individual Fund Statement of Revenue, Expenditures and Changes in Fund Balance include information about the Library's General Fund under the modified-accrual method.

The modified-accrual method focuses on current financial resources. The full accrual method focuses on long-term economic resources and presents a statement of not only how services were financed in the short term, but also what remains for future spending. Under the former system, capital outlay is an expense. Under the latter system, capital outlay is capitalized as an asset, resulting in a statement of more net profit.

Library As A Whole

The Library's primary income comes from millage and penal fines. Property taxes are levied in both Boyne Valley and Melrose Townships at .2875 mills. Penal fines are received from Charlevoix and Antrim Counties. These sources accounted for 72% of all revenue received for the year ended June 30, 2007.

Salaries and payroll taxes accounted for 40% of total expenditures. Depreciation of fixed assets accounted for 22% of expenditures. All other operating expenses accounted for 38% of total expenses. There are currently no employee benefit plans in place.

Budgeting Highlights

Over the course of the year the Library Board of Trustees amended the budget to address unplanned needs that occurred during the year.

Capital Assets and Long-Term Debt Activity

At the end of the fiscal year, the Library had \$956,214 invested in furniture, equipment, land and a building. The Library has a long-term lease for use of the library building with annual lease payments of two dollars.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF NET ASSETS
JUNE 30, 2007

ASSETS

Current Assets:

Cash – Checking	\$ 19,517
Cash – Expansion Account	8,049
Certificates of Deposit	<u>43,240</u>

Total Current Assets	70,806
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Non-Current Assets:

Capital Assets	956,214
Less: Accumulated Depreciation	<u>(217,234)</u>

Total Non-Current Assets	<u>738,980</u>
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Total Assets	<u>\$ 809,786</u>
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LIABILITIES

Current Liabilities:

Accounts Payable	<u>\$ 13,219</u>
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Total Liabilities	<u>\$ 13,219</u>
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NET ASSETS

Invested in Capital Assets	\$ 738,980
Unrestricted	<u>57,587</u>

Total Net Assets	<u>796,567</u>
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Total Liabilities and Net Assets	<u>\$ 809,786</u>
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CROOKED TREE DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

				<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes In Net Assets</u>
Functions/Programs –				
Governmental Activities:				
Library Services	\$ 123,680	\$ 783	\$ 28,622	\$ (94,275)
General Revenues –				
Intergovernmental:				
Property Tax				66,848
State Aid				2,166
Penal Fines				22,799
Interest Income				<u>3,840</u>
Total General Revenues				<u>95,653</u>
Change In Assets				1,378
Net Assets – June 30, 2006				<u>808,408</u>
Net Assets – June 30, 2007				<u>\$ 809,786</u>

The accompanying notes are an integral part
of these financial statements.

CROOKED TREE DISTRICT LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2007

ASSETS

Current Assets:

Cash – Checking	\$ 19,517
Cash – Expansion Account	8,049
Certificates of Deposit	<u>43,240</u>

Total Current Assets	<u>70,806</u>
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Total Assets	<u>\$ 70,806</u>
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LIABILITIES AND FUND BALANCE

Current Liabilities:

Accounts Payable	<u>\$ 13,219</u>
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Total Current Liabilities	<u>13,219</u>
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Total Liabilities	13,219
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Fund Balance	<u>57,587</u>
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Total Liabilities and Net Assets	<u>\$ 70,806</u>
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**CROOKED TREE DISTRICT LIBRARY
RECONCILIATION OF THE BALANCE SHEET OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

Fund Balance – Total Governmental Funds	\$ 57,587
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Amounts Reported For Governmental Activities
In The Statement Of Net Assets Are Different
Because:

Capital Assets Used In Governmental Activities
Are Not Financial Resources And Are Not
Reported In The General Fund:

Governmental Capital Assets	\$ 956,214	
Less: Accumulated Depreciation	<u>(217,234)</u>	<u>738,980</u>

Net Assets – Governmental Activities	<u>\$ 796,567</u>
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**CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Revenues:

Intergovernmental:

Melrose Township	\$ 26,401
Boyne Valley Township	40,447
State Aid Grants	2,166
Penal Fines – Charlevoix – Antrim	<u>22,799</u>

Total Intergovernmental	91,813
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CCC Foundation	13,000
Interest Income	3,840
Fax, Copies, Fines, Etc.	783
Donations	13,122
Grant - Doll-Loesel	<u>2,500</u>

Total Revenues	125,058
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Expenditures:

Books, magazines, videos	9,343
Workshops	200
Northland Cooperative	700
Capital Outlay	55,541
Children's Programs	1,048
Cleaning	1,541
Computer Expense	1,069
Gifts	7,769
Insurance	2,719
Internet Fees	1,091
Miscellaneous	839
Mileage	395
Office Supplies/Postage	1,662
Pac2 Server	1,013

The accompanying notes are an integral part
of these financial statements.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

Expenditures: (Continued)	
Snow Removal/Lawn Care	\$ 1,337
Repair and Maintenance	7,535
Supplies	418
Sirsi Expense	2,872
Salaries and Wages	45,963
Payroll Taxes	3,516
Utilities	<u>5,953</u>
Total Expenditures	<u>152,524</u>
Excess of Expenditures Over Revenues	(27,466)
Fund Balance – July 1, 2006	<u>85,053</u>
Fund Balance - June 30, 2007	<u>\$ 57,587</u>

**CROOKED TREE DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES GOVERNMTNAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007**

Net Change In Fund Balances – Total Governmental Funds	\$ (27,466)
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Amounts Reported For Governmental Activities
In The Statement Of Activities Are Different Because:

Governmental Funds Report Capital Outlays
As Expenditures. However, In The Statement
Of Activities, The Cost Of Those Assets
Is Depreciated Over Their Useful Lives:

Expenditure For Capital Outlay	\$ 55,541	
Less: Current Year Depreciation	<u>(26,697)</u>	<u>28,844</u>

Change In Net Assets Of Governmental Activities	\$ <u>1,378</u>
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**CROOKED TREE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Crooked Tree District Library (the Library) serves primarily the residents of Melrose Township and Boyne Valley Township, Michigan. The Library operates under an appointed Board of Directors.

The criteria established for determining the various governmental organizations to be included in the Library's financial statements include oversight responsibility, scope of public service and special financing relationships. Accordingly, the financial statements of the Library contain all Library funds that are controlled by or are dependent upon the Library's executive branch.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library's basic financial statements include both the Library as a whole and its individual fund financial statements.

Government -Wide Financial Statements -

The Library's Government -Wide Financial Statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting, which is described below.

Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Balance Sheet includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in two parts; invested in capital assets and unrestricted net assets.

The Statement of Activities includes depreciation on long-term assets and eliminates capital outlay expense.

Amounts reported as program revenue include charges to patrons for the use of various Library assets and replacement, service and damage fees.

Fund Financial Statements -

The Library's Individual Fund Financial Statements are reported using the current financial resources measurement focus and the modified -accrual basis of accounting, which is described below.

**CROOKED TREE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following governmental fund:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operation expenditures of the Library. Revenues are derived primarily from property taxes and other intergovernmental revenues.

Budgets and Budget Accounting

The Library adopts a budget for its governmental type fund as required by Public Act 621 of the State of Michigan. The Library follows these procedures in establishing the budget as reflected in the financial statements:

1. Prior to the start of the fiscal year, the Library Board prepared a preliminary budget.
2. During May, the budget is legally enacted through passage of a resolution. Amendments to the budget can be made during the fiscal year, if necessary, by a simple majority vote of the Library Board.
3. The budget is adopted on a basis consistent with the modified accrual method of accounting.

P.A. 621 of 1978, Section 18 (1), as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. During the year ended June 30, 2007, the Library incurred expenditures in excess of the amount budgeted as follows:

**CROOKED TREE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

	<u>Budget</u>	<u>Actual</u>	<u>Over Expended</u>
For the General Fund:			
Capital Outlay	\$ 17,000	\$ 55,541	\$ 38,541
Salaries and Wages	\$ 39,000	\$ 45,963	\$ (6,963)

Encumbrance System

The Library does not use an encumbrance system.

General Fund – Capital assets are defined by the Library as assets with an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Details of capital assets are as follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Book Value</u>	<u>Life</u>
Land	\$ 97,200	\$ -	\$ 97,200	
Building	670,544	128,951	541,593	39 years
Furniture and Fixtures	76,962	55,443	21,519	7 years
Machinery and Equipment	32,291	27,566	4,725	5 years
Leasehold Improvement	25,711	5,274	20,437	39 years
Construction in Progress	<u>53,506</u>	<u>-</u>	<u>53,506</u>	not yet placed in service
	<u>\$ 956,214</u>	<u>\$ 217,234</u>	<u>\$ 738,980</u>	

Property Taxes – Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on August 31 with the final collection date of February 28 before they are added to the County tax rolls on March 1. The total tax levy was based on a millage rate of .2875 and total State Taxable Valuation of approximately \$233,600,000 .

**CROOKED TREE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS

The Michigan Political Subdivisions Act No. 20, Public Acts of 1943, as amended by Act 196, Public Acts of 1998 (effective December 30, 1998), states the Library, by resolution, may authorize the Chief Fiscal Officer to invest surplus funds as follows:

- In bonds and other direct obligation of the United States or an Agency or instrumentality of the United States.
- In certificates of deposits, savings accounts, deposit accounts, or depository receipts of a bank, but only if the financial institution complies with certain requirements included within the Act.
- In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- In United States Government or Federal Agency obligation repurchase agreements
- In bankers' acceptances of United States banks.
- Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686.54 Stat. 739, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64 with authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- Obligations described in subdivisions (a) through (g) if purchased through an inter-local agreement under the Urban Cooperation Act of 1967, 1967 PA 7, MCL 124.501 to 124.512.

**CROOKED TREE DISTRICT LIBRARY
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE B – LEGAL OR CONTRACTUAL PROVISIONS FOR DEPOSITS AND INVESTMENTS (Continued)

- Investment pools organized under the Surplus Funds Investment Pool Act, 1981 PA 367, MCL 129.11 to 129.118.
- Investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Certain other restrictions also apply including a requirement for the Board of Directors to formally adopt an Investment Policy which includes specified matters.

NOTE C – RISK MANAGEMENT

The Library carries insurance coverage for property damage, liability, wrongful acts and crime claims. Also, the Library has purchased from a commercial carrier worker's compensation insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE D – TAX EXEMPT STATUS

Based upon a determination letter dated March 12, 1997, from the Internal Revenue Service, the Crooked Tree District Library is recognized as a Section 501(c) 3 Organization. Therefore, the Library is exempt from Federal Income Tax and charitable contributions are deductible for the donor to the extent allowed by law. This exempt status has, pursuant to relief granted under I.R.C. Section 301.9100-1, been made retroactive to June 23, 1977, the date the Organization was formed.

NOTE E – COMMITMENTS

Prior to June 30, 2007, the Crooked Tree District Library entered into a construction contract to renovate a building that they lease and occupy. As of June 30, 2007, approximately \$14,000 of work related to the construction contract had not yet been performed but was completed subsequent to year end.

**CROOKED TREE DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

NOTE F – ENDOWMENT FUNDS

Two endowment funds have been set up at the Charlevoix County Community Foundation. The Crooked Tree District Library Endowment Fund had a fund balance of \$349,042 as of June 30, 2007. The Library is allowed to withdraw funds annually up to 5% of the average fund balance for the last 12 calendar quarters. During the year ended June 30, 2007, the Library withdrew \$13,000 from the fund.

The Crooked Tree District Library Book Fund had a fund balance of \$12,639 as of June 30, 2007. The Library is allowed to withdraw funds annually up to 5% of the average fund balance for the last 12 calendar quarters. During the year ended June 30, 2007, the Library withdrew \$250 from the fund.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues:			
Intergovernmental:			
Melrose Township	\$ 26,000	\$ 26,401	\$ 401
Boyne Valley Township	40,000	40,447	447
State Aid Grants	2,100	2,166	66
Penal Fines – Charlevoix – Antrim	<u>22,700</u>	<u>22,799</u>	<u>99</u>
Total Intergovernmental	<u>90,800</u>	<u>91,813</u>	<u>1,013</u>
CCC Foundation	13,000	13,000	-
Interest Income	3,300	3,840	540
Fax, Copies, Fines, Etc.	800	783	(17)
Donations	12,100	13,122	1,022
Grant - Doll-Loesel	<u>2,500</u>	<u>2,500</u>	<u>-</u>
Total Revenues	<u>122,500</u>	<u>125,058</u>	<u>2,558</u>
Expenditures:			
Books, magazines, videos	9,500	9,343	157
Workshops	300	200	100
Northland Cooperative	1,050	700	350
Capital Outlay	17,000	55,541	(38,541)
Children's Programs	2,500	1,048	1,452
Cleaning	2,300	1,541	759
Computer Expense	1,000	1,069	(69)
Gifts	9,600	7,769	1,831
Insurance	2,800	2,719	81
Internet Fees	1,100	1,091	9
Miscellaneous	861	839	22
Mileage	450	395	55
Office Supplies/Postage	1,750	1,662	88
Pac2 Server	1,100	1,013	87

The accompanying notes are an integral part
of these financial statements.

CROOKED TREE DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Expenditures: (Continued)			
Snow Removal/Lawn Care	\$ 1,400	\$ 1,337	\$ 63
Repair and Maintenance	7,500	7,535	(35)
Supplies	500	418	82
Sirsi Expense	3,000	2,872	128
Salaries and Wages	39,000	45,963	(6,963)
Payroll Taxes	11,800	3,516	8,284
Professional Services	100	-	100
Utilities	<u>6,200</u>	<u>5,953</u>	<u>247</u>
Total Expenditures	<u>120,811</u>	<u>152,524</u>	<u>(31,713)</u>
Excess of Expenditures Over Revenues	<u>\$ 1,689</u>	(27,466)	<u>\$ (29,155)</u>
Fund Balance – July 1, 2006		<u>85,053</u>	
Fund Balance - June 30, 2007		<u>\$ 57,587</u>	

The accompanying notes are an integral part
of these financial statements.

September 18, 2007

Board of Directors
Crooked Tree District Library
Box 518
Walloon Lake, Michigan 49796

Re: Comments and Recommendations

We have examined the general purpose financial statements of the Crooked Tree District Library, for the year ended June 30, 2007, and have issued our report thereon dated September 18, 2007.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting office Standards for Audit of Governmental Organizations, Programs, Activities, and Functions. Solely to assist in planning and performing our examination, we made a study and evaluation of the internal accounting controls of Crooked Tree District Library. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

Crooked Tree District Library
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The following is a recommendation regarding accounting matters:

With regards to budgeting for the property tax revenue from Melrose Township and Boyne Valley Township, the Library currently budgets to receive a slight increase from what was received the previous year. While this appears to have been an accurate way to budget for what has been remitted from the Townships, it may not accurately determine what should have been remitted based on the current millage rate and current State Taxable Value. To help verify that the Library receives the revenue that it is entitled to, the budget should be established based on a calculation made by the Library to compare to what is actually remitted from the Townships.

If you have questions regarding this letter or the audited financial statements, please don't hesitate to call.

Sincerely,

Nieland & Kosanke, P.C.
Certified Public Accountants